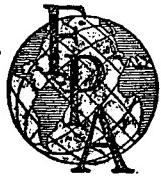


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U.S. PROSPERITY REQUIRES INCREASED IMPORTS

THE attack now being waged by some Republican members of Congress against the Reciprocal Trade Agreements program has not yet reached the stage of a showdown. The fact, however, that the entire foreign economic policy of the Administration is at stake may prompt the leaders of the majority party to adopt a conciliatory attitude and seek a compromise.

WESTERN REPUBLICANS LEAD OPPOSITION. Such cooperation as the Administration may obtain from the Republicans for its trade program will depend largely on support given by the industrial states of the East and Middle West. So far the most vocal critics of freer trade have been Republican congressmen from the western states, where agricultural and mining interests predominate. The principal spokesman for this group is Senator Hugh Butler of Nebraska who asserted in the Senate on January 27 that "the reciprocal trade agreements are a gigantic hoax on the American people." He bitterly denounced the State Department and charged that it had created a crisis psychology to mislead the country into accepting tariff reductions. A less extreme view was expressed by Senator Wayne Morse of Oregon when he testified on January 23 before the Committee on Reciprocity Information, an inter-departmental agency which is considering tariff concessions to be proposed by the United States at the forthcoming Geneva trade conference. Senator Morse stated that he supported the "basic principle and theory of reciprocal trade," but feared that "western agriculture in many respects is in danger of being sacrificed."

The extent of this western opposition to further tariff cuts was revealed on January 29, when it was announced that a group of Senators from thirteen states had organized "a bi-partisan bloc to protect

the interests of the West." They chose as chairman Senator Pat McCarran, Democrat, of Nevada, who is sponsoring legislation to require a two-thirds Senate vote on trade agreements. In the meantime, Senator McCarran has joined Senator Butler and others in demanding that the State Department postpone plans to conduct tariff negotiations until Congress has studied the world economic situation. Republican members of the Ways and Means Committee are also advocating that the State Department suspend its tariff program.

Leaders of the Republican party, however, have adopted a more cautious approach, and are seeking a compromise that would enable the Administration to continue tariff negotiations subject to the limitation that no concessions be made which may expose domestic producers to foreign competition. On January 25 Senator Vandenberg announced that he and Senator Eugene D. Millikin, chairman of the Finance Committee, were continuing discussions with the State Department to find a suitable compromise formula. Senator Taft has said that if the Department "doesn't go too far" he thinks Congress will allow the trade program to continue.

U.S. ECONOMY IN TRANSITION. Republican opposition to a further downward revision of the tariff poses several questions with respect to the future position of the United States in the world economy. The most obvious fact is that, as the largest creditor nation on record, this country must eventually develop an excess of imports over exports; otherwise another era of defaults will set in. Moreover, our failure to increase imports can only mean that our exports will decline. There will be a tendency to sacrifice those industries in which the United States has developed a decided comparative advantage, while those characterized by higher costs

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of output as compared to similar production abroad will be uneconomically maintained. In the development of the American economy, industries producing capital goods and durable consumer commodities have achieved a high degree of efficiency; their output is larger than the home market can profitably absorb in normal times. On the other hand, in several branches of the mining industry, as well as in agriculture, the United States can produce only at a comparative disadvantage as compared with other countries. It is well known that the enormous wartime production program seriously depleted the natural resources of the United States, such as copper, lead, zinc, and petroleum, which hereafter must be imported in increasing amounts. Continuance of high tariffs on these items penalizes other, more efficient, domestic industries.

FARM BLOC OPPOSITION NOT NEW. Fundamentally, the foreign trade problem is one of internal adjustment in the American economy. Both in industry and agriculture, with certain exceptions, production normally exceeds domestic demand. But if either branch is to export on a large scale, there must in the long run be compensating imports. The question, therefore, is which sector of the national economy shall be adjusted to accommodate the required imports. The agricultural interests, for their part, are determined that they shall not be exposed to foreign competition. Under the farm program, they have been guaranteed prices which are higher than the world level. The result before the war was a steadily mounting surplus carried by the government. As one way out, recourse has been had to export subsidies and import quotas, devices which

BRITAIN AND BURMA AGREE ON

Another important step toward colonial freedom was announced in the British Parliament on January 28 when the Labor government revealed that after two weeks of negotiations with Burmese leaders it had reached an agreement on the "methods by which the people of Burma may achieve their independence, either within or without the Commonwealth, as soon as possible." Winston Churchill, who accuses Prime Minister Attlee of "scuttling" the British Empire, denounced the new agreement as a "dismal transaction." The British war leader, whose Conservative party favors a more gradual evolution toward Dominion status for Burma, interprets Attlee's offer to mean that Dominion status is "for all intents and purposes, eliminated, just as it was in India." Attlee pointed out to the House of Commons, however, that his plan did not necessarily mean the British would go, but that "the people of Burma have the right to decide in future whether they should stay in the Commonwealth or go outside." Britain's Prime Minister expressed the

are opposed by the State Department as inconsistent with official American trade proposals for freer, multilateral trade. At the same time, however, several farm spokesmen have approved the trade agreements program as a method by which larger markets can be obtained abroad. But, as is indicated in the position taken by Senators Morse and Butler, there is no desire to lower the American tariff on agricultural products.

In the final analysis, if imports are not increased, exports must decline. In either event, adjustments in the American economy will be unavoidable. The overall productive capacity of the United States is larger in 1947 than it has ever been before. If there are not to be idle plants and unemployment, foreign trade must be kept at a high level. In the opinion of the best informed economists, the only sound way in which this goal can be achieved by this country is to accept more imports in payment for exports. By revising downward the more protective duties in the American tariff, the Hull trade agreements program contributed substantially to increase American foreign trade before the war. Should this trade policy be rejected now, the other sixteen trading nations to be represented at the Geneva conference in April will have no alternative but to give up the proposed International Trade Organization. World commerce will then continue to be conducted as at present—by means of the discriminatory bilateral arrangements, including barter, which were developed in Europe long before the war. Instead of peace and prosperity, there will be economic warfare and poverty, the consequences of which this country cannot hope to escape.

HAROLD H. HUTCHESON

STEPS TOWARD INDEPENDENCE

hope that those Burmese who favor retention of some form of imperial ties will win out when Burma decides upon its form of independence.

BRITISH CONCESSIONS. In April Burmese electors are to choose a Constituent Assembly to draft their own constitution. Meanwhile a Burmese interim government, comparable to that in India, is to rule. In addition to conceding these two main points, Britain granted several other Burmese demands. The interim government will have full control of all Burmese armed forces, and will appoint its own diplomatic representatives. Burma's strongest political leader, thirty-two-year-old U Aung San, head of the Anti-Fascist People's Freedom League, declared with obvious pleasure that the first envoy to be appointed would be a Minister to Washington. Britain agreed, moreover, to make a further contribution to reduce Burma's budgetary deficit, and to turn into an outright grant the £80,000,000 interest free loan upon which Burma is now drawing. After the new constitution goes into effect, the

retention or use of British forces in Burma will be the subject of an agreement between the two states, and Britain will support Burma's application for membership in the United Nations.

BURMA'S WAR RECORD. Britain's action is the culmination of a series of developments which began in 1931 when London declared its intention to grant self-government to Burma. From 1937, when Burma was separated from India, until the Japanese invasion in 1942, the Burmese exercised many of the functions of self-government. But the Burmese, with a past tradition of independence and a higher literacy rate than any other colonial people remained unsatisfied. When the war broke out they had no compunction about turning to the Japanese for arms and money. Thirty nationalist leaders, including U Aung San, escaped to Japan in 1940 to begin the formation of a Burma Independence Army which returned with the Japanese in 1942. The Burmese were not long deceived, however, by the Japanese proclamation of Burma's independence on August 1, 1943. By 1944, ruthless treatment had turned Burma against the Japanese and in 1945 the nationalist army aided the Allied counter-invasion. When the British returned they found a military and psychological situation which could not be met intelligently by any means other than the granting of self-determination. The prompt recognition of Philippine independence by the United States and the steps taken by Britain to liberate India strengthened Burma's case. British opinion, meanwhile, was affected by the violent rebellions against the French in Indo-China and the Dutch in Indonesia.

Although both British and Burmese leaders are evidently acting in good faith, they face difficulties which may endanger peaceful relations during the transition period. Since nationalists are always suspicious of their colonial rulers, there will be extremists who will overemphasize the significance of Britain's

refusal to grant one concession, namely a guarantee that independence will be achieved within one year. Local politics in Burma will also cause trouble. It was reported from Rangoon on January 28 that well over 20,000 workers were out on strike not only for wage increases but also to express anti-British political grievances. The supremacy of U Aung San's coalition anti-Fascist League is by no means unchallenged. On the left he is under fire from Thakin Than Tun, whose Communist followers have engaged in armed clashes with Anti-Fascist League forces. On the right he is confronted by party leaders like U Saw and U Ba Sein who refused to sign the agreement in London apparently because of their dissatisfaction with the minority role they will have in the interim government.

THE MINORITIES PROBLEM. Burma also has a troublesome minorities problem. Of more than 17 million inhabitants about 5 million are of a cultural background different from that of the Burmese. Britain's wartime coalition cabinet had planned to partition Burma, separating the Kachin, Karen, Chin and Shan tribes in the frontier areas from the new state. This intention has been modified by the Attlee government, which has agreed that the objective is to be early unification, although only with the consent of the frontier peoples whose views are to be sounded out by a committee of inquiry. Obviously there is danger of misunderstanding and conflict in this arrangement.

Two facts, however, are likely to incline the more reasonable elements among the Burmese to moderation. One is the dire economic condition of war-devastated Burma which needs British aid for reconstruction work. The other is the geographical position of Burma between India and China. Foreign economic interests in Burma are primarily Indian, and some Indian leaders advocate the extension of Indian control over Burma. Burmese leaders who fear their country's weakness between two giant neighbors see advantages in maintaining ties with the British Empire. To them Dominion or Commonwealth status may mean not independence minus certain rights and privileges, but independence plus the rights and privileges of membership in an association of free nations. The history of nationalist movements indicates, however, that moderates lose when they argue for anything less than absolute independence. It may be that Burma will first decide upon independence, and then determine the nature of its future relations with the British Commonwealth of Nations.

VERNON MCKAY

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F.P.A. BOOKSHELF

National Interest and International Cartels, by Charles R. Whittlesey. New York, Macmillan, 1946. \$2.50

This book deserves wide reading, for it contributes much to an understanding of the cartel problem. The subject is treated cogently and convincingly. The author makes it abundantly clear that cartels restrict trade and industry and are not in the public interest. His proposals for the solution of the cartel problem include a recommendation that the patent law of this country be revised to provide compulsory licensing. Patents, as he points out, are a favored device of cartel promoters.

Prophets and Peoples, by Hans Kohn. New York, Macmillan, 1946. \$2.50

A brilliant analysis of such leaders as Mazzini, Treitschke and Mill, showing how they affected the development of nineteenth century nationalism.

The Collected Wartime Messages of Generalissimo Chiang Kai-shek, 1937-1945. Vol. I, 1937-1940, Vol. II, 1940-1945. New York, John Day, 1946. \$7.50

A collection of 160 messages covering the period of national resistance to Japan. While only a partial key to Chiang Kai-shek's activities during this period, these documents are nevertheless essential in judging his outlook and position in history.

The Lost War, by Masuo Kato. New York, Knopf, 1946. \$2.75

The first Japanese account in English of the diplomatic background of Pearl Harbor and the events of the war years in Japan. Kato, a prominent journalist, tells an interesting story, but tends to exonerate virtually all Japanese leaders except a few outright militarists and their hangers-on.

The United Nations, by Louis Dolivet. New York, Farrar, Straus, 1946. \$1.75.

A concise and useful handbook, objective in character.

Three Worlds, by Nicholas S. Timasheff. Milwaukee, Bruce, 1946. \$2.75

From his experience with the social orders he analyzes, the author feels totalitarian communism and fascism both make man the slave of the state. His hope for liberalism is that it may be converted into a true theistic liberal society.

Congress at the Crossroads, by George B. Galloway. New York, Thomas Y. Crowell, 1946. \$3.50

A useful analysis of the role of Congress by the Staff Director of the Joint Committee on the Organization of Congress.

Ally Betrayed, by David Martin. New York, Prentice-Hall, 1946. \$3.50

Anything as emotionally stirring as the trial of Mikhailovich is difficult to treat objectively. This book, with a foreword by Rebecca West, is a dramatic attack on the motives and methods of Tito.

The History of the Jews of Italy, by Cecil Roth. Philadelphia, The Jewish Society of America, 1946. \$3.00

A fascinating account of the fluctuating fortunes of Jews in a country where they have been integrated perhaps more happily than in any other European nation.

Under the Red Sun, by Forbes J. Monaghan. New York, Declan X. McMullen, 1946. \$2.75

A graphic account of Filipino resistance to the Japanese occupation by an American-Catholic educator in Manila.

Betrayal in the Philippines, by Hernando Abaya. New York, A. A. Wyn, 1946. \$3.00

Expresses critical Filipino viewpoint on Roxas as "collaborationist," as well as on the policies of MacArthur and McNutt. Foreword by Harold L. Ickes.

Behind Soviet Power: Stalin and the Russians, by Jerome Davis. New York, Readers' Press, 1946. \$1.00

Dr. Davis, who worked in Russia during World War I as YMCA Secretary, and has since revisited that country on a number of occasions, most recently during World War II, comments sympathetically on Russia's development since 1917, and gives an optimistic answer to the question whether or not we can get along with the Soviet government.

Russia on the Way, by Harrison Salisbury. New York, Macmillan, 1946. \$3.50

The author, who for eight months served as chief of the United Press Bureau in Moscow and is now foreign editor of the UP, paints Russia as neither all black nor all white and, while recognizing the fundamental differences between the United States and the U.S.S.R., believes it is possible for the two countries to arrive at a workable understanding.

While Time Remains, by Leland Stowe. New York, Knopf, 1946, \$3.50

A foreign correspondent distinguished both for his personal integrity and his passionate style surveys the world as it has emerged from the shambles of war, and reaffirms his faith in democracy, on the essential condition that democratic nations practice what they preach.

Our Share of Night, by Drew Middleton. New York, Viking, 1946. \$3.75

A thoughtful eyewitness story of several war areas, expressing very few opinions on the political situation.

The Strange Alliance, by John R. Deane. New York, Viking Press, 1946. \$3.75

The head of the U.S. Military mission in Moscow during the crucial years of 1943-45 not only gives an account of wartime Russo-American relations which will be of outstanding interest to contemporary historians, but also presents thoughtful conclusions concerning the aims of Russia's foreign policy, and the methods the United States should follow in dealing with the Soviet government.

Americans in Persia, by Arthur C. Millspaugh. Washington, D.C., Brookings Institution, 1946. \$3.00

The author, who served as the leader of two financial missions to Iran, in 1922-27 and 1943-45, considers Iran a problem area and a test case of Big Three cooperation. He believes that America must take the initiative in charting a broad program of internal reform of the country, through which the United States, Britain, Russia and Iran can achieve a peaceful solution for present-day rivalries over oil and strategy.

Bevin of Britain, by Trevor Evans. New York, Norton, 1946. \$3.00

In this book the chief labor editor of the London *Daily Express* offers a balanced biography of the British Foreign Secretary. He sketches Bevin's career from a young leader of the dock worker's trade union to his position as Minister of Labor in the Churchill coalition cabinet. Bevin's vigorous personality emerges through judicious quotation from his speeches.

International Implications of Full Employment in Great Britain, by Allan G. B. Fisher. New York, Royal Institute of International Affairs, 1946. \$3.50

Since Britain has undertaken a solemn pledge to provide full employment at home, the author analyzes the question whether that commitment can be carried out under a freer trading system such as that favored by the Washington administration. He points out that Britain's ability to achieve both objectives at one and the same time will depend on the American economy. If the United States suffers a major depression, Britain, he contends, may find that its only recourse is to pursue restrictive trade practices developed during the war.